City House, Inc.

Financial Statements
with Supplementary Information and Compliance Reports
December 31, 2022

SFC
Certified Public Accountants

City House, Inc.
Contents

SFC
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
City House, Inc.

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of City House, Inc. (Organization) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Organization changed its method of accounting for its leases effective January 1, 2022 as required by the provisions of Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases*. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
May 4, 2023

City House, Inc.
Statement of Financial Position
December 31, 2022

Assets

Cash and cash equivalents	$ 2,042,983
Investments	905,606
Government grants receivable	55,283
Accounts receivable	8,707
Prepaid expenses and other assets	46,744
Property and equipment, net	3,017,231
Right-of-use assets - operating leases, net	183,279
Total assets	$ 6,259,833

Liabilities and Net Assets

Liabilities:	
Accounts payable	$ 78,987
Accrued expenses	41,089
Notes payable, net	1,412,011
Operating lease liabilities	190,937
Total liabilities	1,723,024
Net assets:	
Without donor restrictions	4,455,421
With donor restrictions	81,388
Total net assets	4,536,809
Total liabilities and net assets	$ 6,259,833

City House, Inc.
Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	$ 985,072	$ 37,303	$ 1,022,375
Government grants	970,138	-	970,138
Contributions of nonfinancial assets	219,377	-	219,377
Special events, net of direct costs of $193,253	334,659	-	334,659
Program service fees	435,396	-	435,396
Investment loss, net	(43,412)	-	(43,412)
Other income	487	-	487
Net assets released from restrictions	70,981	(70,981)	-
Total support and revenue	2,972,698	(33,678)	2,939,020
Expenses:			
Program services	2,341,726	-	2,341,726
General and administrative	181,940	-	181,940
Fundraising	204,154	-	204,154
Total expenses	2,727,820	-	2,727,820
Change in net assets from operations	244,878	(33,678)	211,200
Non-operating income:			
Forgiveness of Paycheck Protection Program loan	281,083	-	281,083
Gain on involuntary conversion	6,240	-	6,240
Total non-operating income	287,323	-	287,323
Change in net assets	532,201	(33,678)	498,523
Net assets at beginning of year	3,923,220	115,066	4,038,286
Net assets at end of year	$ 4,455,421	$ 81,388	$ 4,536,809

See notes to financial statements.

City House, Inc.
Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services	General and Administrative	Fundraising	Total
Compensation related	$ 1,455,945	$ 100,411	$ 117,144	$ 1,673,500
Advertising	-	-	16,660	16,660
Client assistance	255,755	-	-	255,755
Depreciation and amortization	115,510	3,615	2,409	121,534
Insurance	63,562	2,007	1,338	66,907
Interest and fees	62,151	3,272	-	65,423
Miscellaneous	10,613	731	855	12,199
Occupancy	135,627	4,283	2,855	142,765
Office	91,840	4,536	17,006	113,382
Professional fees	-	57,545	36,800	94,345
Repairs and maintenance	107,836	3,404	2,267	113,507
Special events	-	-	193,253	193,253
Telephone	36,827	1,819	6,820	45,466
Training	6,060	317	-	6,377
Total expenses	2,341,726	181,940	397,407	2,921,073
Less expenses included with revenues on the statement of activities				
Direct costs of special events	-	-	(193,253)	(193,253)
Total expenses included in the expense section on the statement of activities	$ 2,341,726	$ 181,940	$ 204,154	$ 2,727,820

See notes to financial statements.

City House, Inc.
Statement of Cash Flows
Year Ended December 31, 2022

Cash flows from operating activities:		
Change in net assets	$	498,523
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of Paycheck Protection Program loan		(281,083)
Gain on involuntary conversion		(6,240)
Realized and unrealized losses on investments		56,078
Depreciation and amortization		121,534
Amortization of right-of-use assets		96,428
Changes in operating assets and liabilities:		
Government grants receivable		(9,901)
Accounts receivable		(4,011)
Contributions receivable		28,351
Prepaid expenses and other assets		(2,701)
Accounts payable		13,098
Accrued expenses		(29,410)
Operating lease liabilities		(99,572)
Net cash provided by operating activities		381,094
Cash flows from investing activities:		
Purchases of investments		(1,349,937)
Proceeds from sales of investments		396,206
Proceeds from involuntary conversion		18,584
Net cash used by investing activities		(935,147)
Cash flows from financing activities:		
Principal payments on notes payable		(60,755)
Change in cash and cash equivalents		(614,808)
Cash and cash equivalents, beginning of year		2,657,791
Cash and cash equivalents, end of year	$	2,042,983
Supplemental disclosure of non-cash financing activity:		
Forgiveness of Paycheck Protection Program loan	$	281,083
Note payables issued in exchange for property and equipment	$	234,042
Supplemental disclosure of cash flow information:		
Right-of-use asset obtained in exchange for lease liability	$	290,509
Cash paid for interest	$	67,575

See notes to financial statements.

1. Organization

City House, Inc. (Organization) is a Texas not-for-profit corporation organized to provide information for the citizens of Collin County, Texas about youth and to serve special needs of particular children. The Organization's mission, providing emergency shelter and transitional residential services to children and young adults who are in need due to abuse, neglect or homelessness, is carried out by enriching the lives of at-risk youth in Collin County through the following programs:

My Friend's House - My Friend's House is an emergency shelter for both community and newborns through age 17 who have suffered from abuse, neglect or homelessness.

Transitional Living Program - The Transitional Living Program provides long-term shelter for homeless young adults ages 18 through 21 for up to eighteen months.

Youth Resource Center - Youth Resource Center is a community outreach program that provides education to schools and the local community in addition to prevention services for youth and young adults in need of services at our Drop-In Center.

Counseling Services - Counseling services are provided free of charge with licensed clinical social workers on staff.

The Organization is primarily supported by government grants, program fees and contributions from individuals and other Organizations.

2. Summary of Significant Accounting Procedures

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Financial Statement Presentation

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

Net assets with donor restrictions - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board of directors approved spending policy. At December 31, 2022 and 2021 no such restrictions existed.

Revenues are reported as an increase in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Donor restricted contributions whose restrictions are met in the same year the contributions are received are reported as net assets without donor restrictions.

Concentrations of Risk

Financial instruments which are potentially subject to concentrations of credit and market risk consist principally of cash and cash equivalents, investments, government grants receivable and accounts receivable.

The Organization maintains cash and cash equivalents at financial institutions located in Texas. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At December 31, 2022, the Organization’s uninsured balances totaled $1,650,987. Management has placed these funds with high credit quality financial institutions to minimize risk. The Organization has not experienced any losses on such assets.

Government grants receivable and accounts receivable are unsecured and are due from various government agencies. The Organization periodically evaluates the collectability of government grants receivable and accounts receivable and maintains allowances as considered necessary.

The Organization operates entirely within the Collin County, Texas area. Therefore, financial activities are subject to the economic conditions of the area. In 2022 the Organization received approximately 30% of its total support and revenue from grants and contracts with federal, state and local government agencies. Continuation of such funding, at current levels, in future periods is subject to various factors such as economic conditions, compliance with grant and contract provisions, potential new legislation and continued applicability of the Organization’s mission.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments with a maturity of three months or less when purchased.

Investments

At December 31, 2022, the Organization's investments consist of fixed income funds, equities and mutual funds and are stated at fair value in the statement of financial position. Changes in fair value are recorded as unrealized gains (losses). Realized gains (losses) are recorded upon the sale of the investments. Interest income is recognized under the accrual basis and dividend income is recognized on the ex-dividend date.

Government Grants Receivable and Accounts Receivable

Government grants are recorded based on the reimbursable amount incurred. Accounts receivable are recorded when services are provided. Government grants and accounts receivable are due within the next year. No allowance for doubtful accounts was considered necessary at December 31, 2022.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at estimated fair market value at the date of the donation. The Organization capitalizes expenditures for property and equipment with a value greater than $3,000. Depreciation is computed using the straight-line method over estimated useful lives of 4 to 39 years. The cost of maintenance and repairs is expensed as incurred.

Long-Lived Assets

The Organization's long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. This review requires significant judgments both in assessing events and circumstances as well as estimating future cash flows. Should events indicate that any of the assets are impaired, the amount of such impairment will be measured as the difference between the carrying value and the fair value of the impaired asset and the impairment will be recorded in earnings during the period of such impairment. Management believes no impairment has occurred with respect to the long-lived assets in 2022.

Loan Costs

Loan costs totaling $18,900 are capitalized and expensed over the term of the related debt agreements. Related amortization expense for the year ended December 31, 2022 totaled $1,890.

Revenue Recognition

The Organization recognizes contributions when cash, securities, or other assets or an unconditional promise to give is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Amounts received prior to meeting measurable performance or other barriers are reported as refundable advances.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position.

The Organization was awarded cost-reimbursable government grants of $714,155 that have not been recognized in the financial statements at December 31, 2022 because qualifying expenditures have not yet been incurred.

Donated supplies are reflected as contributions at their estimated fair value at date of receipt. Donated use of facilities is reflected as a contribution at the estimated fair value of the rent. Contributions of services are recorded at estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. Numerous individuals donate significant amounts of time to the Organization.

Special event revenue is recognized at the time of the event.

Allocation of Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Allocated expenses include occupancy, which is allocated on a square footage percentage, as well as salaries and wages, benefits, payroll taxes, professional services, depreciation and insurance, which are all allocated based on estimates of time and effort. Client assistance, office, telephone, training, transportation, interest, repairs and maintenance and miscellaneous expenses are expensed directly to the appropriate program or function.

Federal Income Tax

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and has not been classified as a private foundation as defined in the IRC. Income generated from activities unrelated to the Organization's exempt purposes is subject to tax under IRC Section 511.

The Organization had no unrelated business income for the years ended December 31, 2022. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax return and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

Contract Compliance

The Organization is responsible for compliance with provisions of contracts and grant agreements. Noncompliance could result in the disallowance of expenditures and a request for reimbursement. In the opinion of the Organization's management, such disallowance, if any, would not be significant to the Organization's financial statements.

Accounting Pronouncement Adopted

The Organization adopted ASU 2016-02, *Leases* (Topic 842). The guidance in the ASU supersedes the current leasing guidance. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The ASU also required expanded disclosures related to the amount, timing and uncertainty of cash flows arising from leases. The Organization adopted the provisions from ASU 2016-02 and recorded the impact of the adoption as of January 1, 2022, using the modified retrospective method resulting in recording right-of-use assets and operating lease liabilities totaling $290,509. No changes were required to net assets as of January 1, 2022.

The Organization adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07). ASU 2020-07 increases transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancement to presentation and disclosure. The amendments in ASU 2020-07 address stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFP's, as well as the amount of those contributions used in an NFP's programs and other activities. The Organization has adopted this ASU on the retrospective basis as of and for the year ended December 31, 2022. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes in-kind contributions, and therefore, no changes were required to net assets as of January 1, 2021. The presentation and disclosures of in-kind contributions have been enhanced in accordance with the standard.

3. Investments

Under the Fair Value Measurements and Disclosures topic of the Codification, ASC 820, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

Level 1 — Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 — Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies;

Level 3 — Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Equities

These investments are valued at closing prices reported in active markets in which the individual securities are traded.

Certificates of Deposits

Certificates of deposit are recorded based on their carrying value, which approximates fair value.

Mutual Funds

These investments are public investment vehicles valued using the net asset value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market.

The following table presents the Organization's investments at fair value as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Investments:				
Equities	$ 207,706	$ -	$ -	$ 207,706
Certificates of deposits	692,497	-	-	692,497
Mutual funds	5,403	-	-	5,403
	$ 905,606	$ -	$ -	$ 905,606

Approximately 11% of the investment portfolio as of December 31, 2022 is concentrated in a Comenity Bank certificate of deposit.

Investment loss consists of the following for the year ended December 31, 2022:

Dividends and interest	$ 12,666
Realized and unrealized losses on investments	(56,078)
	$ (43,412)

4. Property and Equipment

Property and equipment consists of the following for the year ended December 31, 2022:

Land	$ 739,173
Buildings and improvements	3,213,101
Equipment	400,781
	4,353,055
Accumulated depreciation	(1,335,824)
	$ 3,017,231

Depreciation expense totaled $116,873 for the year ended December 31, 2022.

5. Leases

In evaluating its contracts, the Organization separately identifies lease and nonlease components, such as common area and other maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for its office space and equipment leases. The Organization has elected the practical expedient to not separate lease and nonlease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the nonlease component.

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Organization uses the risk-free rate based on the information available at the commencement date to determine the present value of lease payments. Risk-free rates used to determine the present value of lease payments were derived by reference to the interest paid on short-term government debt.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term. The Organization has elected not to record leases with an initial term of 12 months or less on the statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

The Organization has entered into three operating lease arrangements. The Organization has a lease for a building and two office equipment leases that expire at various dates through 2027. These leases generally contain renewal options and require the Organization to pay all executory costs (property taxes, maintenance and insurance). Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

Future minimum lease payments and reconciliations to the statement of financial position at December 31, 2022 are as follows for the years ending December 31:

	Operating Lease
2023	$ 104,262
2024	65,575
2025	11,414
2026	11,414
2027	584
Total future undiscounted lease payments	193,249
Less present value discount	(2,312)
Operating lease liabilities	$ 190,937

The following lease cost and required information for the year ended December 31, 2022:

Total operating lease cost	$ 98,841
Other information:	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 101,985
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 290,509
Weighted-average remaining lease term:	
Operating leases	2.16 years
Weighted-average discount rate:	
Operating leases	1.05%

6. Long-Term Debt

In March 2018, the Organization entered into a $1,445,000 loan agreement with a bank. The loan bears interest at 4.67% with monthly payments of principal and interest of $9,330, until maturity in March 2038, when all outstanding principal and interest is due. The loan is collateralized by a deed of trust on real property. The balance outstanding on the loan at December 31, 2022 totaled $1,189,078.

In July 2022, the Organization entered into a $41,477 loan agreement with The City of Plano. The loan does not bear interest and has a monthly principal payment of $346, until maturity in July 2032, when all principal is due. The balance outstanding on the loan at December 31, 2022 totaled $39,749.

In September 2022, the Organization entered into a loan with The City of Plano for $93,168. The loan does not bear interest and has a monthly principal payment of $776, until maturity in September of 2032. The balance outstanding on the loan at December 31, 2022 totaled $90,839.

In September 2022, the Organization entered into a loan with The City of Plano for $99,397. The loan does not bear interest and has a monthly principal payment of $828, until maturity in September of 2032. The balance outstanding on the loan at December 31, 2022 totaled $96,912.

Minimum required future principal payments on the note are as follows for the year ended December 31, 2022:

2023	$ 82,509
2024	85,329
2025	88,284
2026	91,379
2027	94,623
Thereafter	974,454
Less: debt issuance costs, net	(4,567)
	$ 1,412,011

7. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of amounts restricted by donors for the following purposes as of December 31, 2022:

College educational support	$ 1,997
Scholarship fund	4,763
Outreach expansion	63,669
Enrichment	10,337
Vehicle maintenance	622
	$ 81,388

8. Contributed Nonfinancial Assets

The Organization received the following in-kind contributions which were allocated to program services during the year ended December 31, 2022:

Goods	$ 171,540
Services	4,346
Food	43,491
	$ 219,377

Goods

Contributed goods are valued based on the fair market value of similar goods.

Services

Contributed services are based on the type of service donated. Donated services are reported at service costs, which approximates fair value, determined by the provider.

Food

Donated food is based on items donated. Donated food is reported at fair value using retail prices or fair value information obtained from the donor.

9. Liquidity and Availability of Resources

The Organization's financial assets available to meet cash needs for general expenditures within one year are as follows at December 31, 2022:

Cash and cash equivalents	$ 2,042,983
Investments	905,606
Government grants receivable	55,283
Accounts receivable	8,707
Total financial assets	3,012,579
Less amounts not available for general expenditure within one year, due to:	
Donor-imposed restrictions	(81,388)
Resident savings payable	(22,987)
Financial assets available to meet cash needs for general expenditure within one year	$ 2,908,204

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

10. Paycheck Protection Program Loans

On March 29, 2021, the Organization received a second PPP loan in the amount of $281,083 with a bank pursuant to the Paycheck Protection Program (PPP), which is sponsored by the Small Business Administration, and is part of the Coronavirus Aid, Relief and Economic Security Act, as amended by the Paycheck Protection Program Flexibility Act of 2020. On January 9, 2023, the Organization received legal forgiveness of the entire amount of the PPP Loan. Accordingly, the forgiveness of debt in the amount of $281,083 is reported as non-operating income in the accompanying statement of activities for the year ended December 31, 2022.

11. Involuntary Conversion

In November 2022, the Organization's Treyburn location suffered extensive water damage due to a water leak. The insurance covered the damage that resulted in a gain on involuntary conversion of assets in the amount of $6,240 reported in the statement of activities.

12. Subsequent Events

The Organization evaluated subsequent events through the date the financial statements were available to be issued and concluded that no additional disclosures are required

City House, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Passthrough Grantor Contract #	Expenditures
U.S. Department of Health and Human Services			
Direct Assistance:			
Basic Center Grant (BCP-RHY)	93.623	90CY7229	$ 174,386
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth (SOP-RHY)	93.557	90YO2401	139,134
Transitional Living for Homeless Youth (TLP-RHY)	93.550	90CX7417	206,173
Transitional Living for Homeless Youth (TLP-LBGTQ RHY)	93.550	90CX7358	260,129
Total U.S. Department of Health and Human Services			779,822
U.S. Department of Housing and Urban Development			
Texas Department of Housing and Community Affairs:			
Emergency Solutions Grant Program	14.231	ESG 42216000008	33,102
Emergency Solutions Grant Program	14.231	ESG 43206000008	51,889
Total U.S. Department of Housing and Urban Development			84,991
Total expenditures of federal awards			$ 864,813

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of City House, Inc. (Organization) and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Organization has elected not to use the ten percent de minimis indirect cost rate allowed under Uniform Guidance.

Certified Public Accountants

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
City House, Inc

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of City House, Inc. (Organization) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 4, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Sutton Frost Cary LLP
600 Six Flags Drive, Suite 600 Arlington, Texas 76011
www.sfcllp.com
Phone 817.649.8083

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
May 4, 2023

SFC
Certified Public Accountants

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors of
City House, Inc

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City House Inc.'s (Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2022. The City House's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
May 4, 2023

City House, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of Major Federal Programs	Assistance Listing Number
Transitional Living for Homeless Youth (TLP-RHY)	93.550
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV – Schedule of Prior Audit Findings

None